

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 11-254

GRANITE STATE ELECTRIC COMPANY D/B/A NATIONAL GRID

Petition for Approval of 2012 Retail Rate Adjustments

Order Approving Rate Adjustments

ORDER NO. 25,310

December 29, 2011

Appearances: McLane, Graf, Raulerson & Middleton, P.A. by Jinjue Pak, Esq. on behalf of Granite State Electric Company d/b/a National Grid; and Suzanne Amidon, Esq. on behalf of Commission Staff.

I. PROCEDURAL HISTORY

On November 29, 2011, Granite State Electric Company d/b/a National Grid (National Grid or Company) filed a request for approval of certain retail rate adjustments to its stranded cost and transmission service charges for effect on January 1, 2012, with supporting testimony, related exhibits and attachments. National Grid made a corrected filing on December 6, 2011. Based on the corrected filing, the aggregate impact of the proposed rates for a typical residential customer using 672 kilowatt-hours (kWh) per month (the average monthly usage over the most recent twelve months) would be an increase of \$0.80 or 0.87% per month from \$92.30 to \$93.10. The proposed retail rate adjustments were filed pursuant to the Company's Amended Restructuring Settlement Agreement (Settlement Agreement) as approved by the Commission in *Granite State Electric Co.*, Order No. 23,041, 83 NH PUC 532 (October 7, 1998).

In its amended filing, National Grid proposed to increase its average stranded cost charge from \$0.00020 per kWh to \$0.00090 per kWh for 2012. The stranded cost charge permits National Grid to recover Contract Termination Charges (CTC) billed to it by its affiliate, New

England Power Company (NEP), in connection with the termination of NEP's all-requirements power contract with National Grid upon the advent of retail competition in National Grid's territory. On December 1, 2011, National Grid filed NEP's reconciliation of the costs and revenues under its CTC formula for the period October 1, 2010 through September 30, 2011 (Docket No. 11-261). According to the Company, the CTC report supports a base stranded cost charge of \$0.00090 per kWh for 2012. The increase is reflected in National Grid's proposed stranded cost charge. The stranded cost charge also includes class-specific adjustment factors to reflect class-specific reconciliations, where necessary.

National Grid's proposed transmission service charge is intended to recover costs the Company incurs in providing transmission service to its customers. Transmission service rates incorporate a separate transmission factor for each rate class. The transmission factors are designed to recover estimated transmission expenses during the upcoming calendar year, adjusted for over- or under-recoveries that occurred in the prior reconciliation period. National Grid estimates that total transmission expenses will result in an average transmission charge of \$0.01554 per kWh for 2012, a decrease of \$0.00023 per kWh from the current rate of \$0.01577 per kWh.

On December 5, 2011 the Commission issued an Order of Notice scheduling a hearing for December 15, 2011. The hearing was held as noticed.

II. POSITIONS OF THE PARTIES AND STAFF

A. National Grid

1. Stranded Cost Adjustment Charge

According to National Grid's filing, the proposed stranded cost charge consists of two components: (1) a uniform per kWh charge it collects from all customers reflecting the CTC

assessed by NEP, and (2) rate-class specific adjustment factors reflecting the reconciliation of any excess or deficiency in stranded cost recovery from that rate class in the prior year. National Grid noted in its filing that the proposed adjustments comply with its tariff, which provides for adjustments to the stranded cost charge as a result of any changes in the CTC assessed by NEP, as well as the rate-specific reconciliation described above. National Grid's filing proposes to increase the uniform stranded cost charge it currently assesses from \$0.00020 per kWh to \$0.00090 per kWh (excluding rate class-specific adjustment factors) for the period beginning January 1, 2012, for usage on and after that date. The stranded cost charges applicable to the various rate classes were included in Schedule SMM-1 in the December 6, 2011 corrected filing (Exh. 2).

In addition, National Grid noted that on December 1, 2011, it filed with the Commission NEP's report on the reconciliation of CTCs assessed to National Grid. In that report, NEP reconciled the costs and revenues under its CTC formula during the period October 1, 2010 through September 30, 2011. This reconciliation results in the change to the CTC rate incorporated in National Grid's December 6, 2011 correction to its November 29, 2011 filing and an increase to its stranded cost charge. National Grid testified that the increase in the stranded cost charge resulted from the final CTC report, which incorporated new costs associated with environmental remediation.

National Grid stated that, consistent with prior practice, Staff will examine the CTC in more detail in Docket No. DE 11-261 and, in the event that an adjustment is required, National Grid will reflect the adjustment in its CTC Reconciliation Account and CTC filings for 2013.

2. Transmission Service Cost Adjustment

The filing includes a change in transmission-related rates for costs incurred by National Grid and recovered through the transmission service cost adjustment (TSCA) in its tariff.

National Grid testified that base transmission rates are established annually and premised on a forecast of transmission costs incurred by the Company to provide transmission service to its retail delivery service customers. To obtain transmission service, the Company contracts with entities authorized by the Federal Energy Regulatory Commission (FERC) to provide transmission service in New England, such as NEP and the Independent System Operator-New England (ISO-NE).

NEP and ISO-NE assess transmission service charges to National Grid to cover the cost of providing transmission over regionally networked facilities (more commonly known as Pool Transmission Facilities (PTF) or bulk transmission facilities), which serve as New England's electric transmission "highway." The service provided over these facilities is referred to as Regional Network Service (RNS). The ISO-NE RNS rate recovers RNS costs on a regionalized basis and is determined annually, based on an aggregation of the transmission revenue requirements of each transmission owner in New England, calculated in accordance with a FERC-approved formula.

Under the TSCA, the Company is permitted to recover costs billed to it by ISO-NE and NEP. The TSCA permits full reconciliation of transmission revenue and expenses, including adjustments for any over- or under-recovery of transmission costs from prior reconciliation periods. The 2011 reconciliation reflects actual transmission revenue for the period October 2010 through September 2011 and actual transmission expenses for the period October 2010 through August 2011, plus estimated expenses for September 2011.

National Grid explained that the proposed average transmission service charge for 2012 of \$0.01554 per kWh consists of two components: (1) a uniform transmission service adjustment factor which is the reconciling mechanism in the transmission service charge, and (2) a transmission service rate that varies by rate class.

The Company estimated a 2012 transmission service adjustment factor of minus \$0.00116 per kWh, which reflects a transmission service over-collection of \$1,075,162 from the prior reconciliation period. The factor was calculated by dividing the over-collection of the transmission service expense at September 2011 by the forecasted 922,101,112 kWh sales for 2012. National Grid proposed the transmission service adjustment factor for effect for service rendered on and after January 1, 2012. According to the Company, the estimated adjustment factor would be applied to bills of all customers taking transmission service through the Company.

The Company calculated an average proposed 2012 transmission service rate of \$0.01670 per kWh, an increase over the current effective average transmission rate of \$0.01596 per kWh. National Grid testified that the increase results from an \$890,713 increase from the prior year forecast of 2011 transmission expenses for National Grid, primarily due to an estimated \$751,207 increase in ISO-NE RNS charges. The ISO-NE RNS increase is due to a significant number of capital additions (totaling approximately \$2 billion) forecasted by the Transmission Owners to go into service in 2012 in New England.¹ Other changes contributing to the overall increase are the net increase in the forecasted NEP Local Network Service² (LNS) charges of \$131,257 resulting from NEP's overall revenue requirements and an increase of approximately

¹ National Grid testified that its review of the ISO-NE regional system plan revealed that the two largest transmission projects where a portion of the project has an in-service date during 2012 are Central Maine Power's Maine Power Reliability Program and National Grid's and Northeast Utilities' New England East-West Solution.

² Local Network Service (LNS) charges cover the cost of FERC jurisdictional transmission facilities owned by NEP that are not PTF facilities.

\$134,482 due to the estimated increase of National Grid's PTF load projected for 2012. These increases are partially offset by a decrease in the actual RNS rates effective June 1, 2011 of \$57,277 and decreases to other ISO-NE ancillary and administrative charges of \$68,956. Exh.1 at 69-70.

3. Bill Impacts for Residential Customers

National Grid testified that the total bill impact of the rates proposed in its filing will be an increase of \$0.60, or approximately 0.88%, from \$68.12 to \$68.72 for residential customers using 500 kWh in electric service per month. The rates would be calculated as follows:

	<u>\$/kWh</u>	<u>\$ Amount</u>
Customer Charge		\$4.37
Distribution Charge		
1 st 250 kWh	\$0.01606	\$4.02
Excess of 250 kWh	\$0.04253	\$10.63
Storm Recovery Factor	\$0.00040	\$0.20
Transmission Charge	\$0.01677 ³	\$8.39
Stranded Cost Charge	\$0.00090	\$0.45
System Benefit Charge	\$0.00330	\$1.65
Elec. Consumption Tax	\$0.00055	<u>\$0.28</u>
Subtotal Retail Delivery Services		\$29.99
Default Service Charge	\$0.07746	<u>\$38.73</u>
Total Bill		<u>\$68.72</u>

For customers using 672 kWh per month, the average residential customer usage over the most recent twelve-month period from November 2010 through October 2011, bills would increase from \$92.30 per month to \$93.10 per month, an increase of \$0.80 per month or 0.87%.

At hearing, the Company was asked what the rate increase would be if the Commission approved the increase to the Storm Recovery Adjustment Factor in a pending proceeding, Docket No. DE 11-221. The Company said that, with the addition of the Storm Recovery Adjustment

³ For residential customers, the proposed transmission service rate on a class basis is \$0.01793 per kWh; when adjusted by a credit of \$0.00116 per kWh, the rate is \$0.01677 per kWh. Exh. 1 page 19.

Factor rate, the overall increase to a residential customer using 500 kWh in power would be a monthly increase of \$0.92 from \$68.12 to \$69.04 effective January 1, 2012.

B. Commission Staff

Staff said that it had reviewed the filing and concluded that National Grid had calculated the stranded cost charge and the TSCA as it had done in similar prior filings, and that it had no objections to the rates going into effect for services rendered on and after January 1, 2012. Staff said that National Grid's proposed CTC in this docket is subject to further review and analysis in a separate docket, Docket No. DE 11-261.

III. COMMISSION ANALYSIS

RSA 378:7 vests the Commission with the responsibility to determine whether rates charged to retail utility customers in New Hampshire are just, reasonable and lawful. RSA 374-F:4, VIII(a) further authorizes the Commission to "order such charges and other service provisions and to take such other actions that are necessary to implement [electric industry] restructuring and that are substantially consistent with the principles" set forth in RSA 374-F. Among the principles relevant to this proceeding are the objectives of providing "clear price information on the cost components of generation, transmission, distribution and any other ancillary charges" pursuant to RSA 374-F:3, III, and recovery of stranded costs through "a nonbypassable, nondiscriminatory, appropriately structured charge that is fair to all customer classes, lawful, constitutional, limited in duration, [and] consistent with the promotion of fully competitive markets" pursuant to RSA 374-F:3, XII (d).

The underlying policy determinations relevant to this proceeding were made in *Granite State Electric Co.*, Order No. 23,041 (October 7, 1998) 83 NH PUC 532, approving the rate

adjustment mechanisms reflected in National Grid's current proposal; however, each component charge warrants some discussion.

First, we address the proposed stranded cost charge. National Grid proposes to increase the stranded cost charge from \$0.00020 per kWh to \$0.00090 per kWh. We have opened a separate docket to allow Staff adequate time to review the proposed stranded cost charge (Docket No. DE 11-261). In the event that an adjustment is required, the Company will reflect the adjustment in its CTC reconciliation account and incorporate it into its CTC filings for 2013. We conditionally approve the proposed stranded cost charge, subject to the review to be undertaken in Docket No. DE 11-216.

The proposed average transmission service charge of \$0.01554 per kWh incorporates two components. Specifically, the transmission service adjustment factor of (\$0.00116) per kWh reflects the over-recovery of transmission expenses for 2011, while the average transmission service rate of \$0.01670 represents the forecasted rate calculation of transmission expenses for 2012. According to National Grid, the proposed changes result primarily from an increase based on the PTF transmission plant investment forecasted to go in-service in 2012 across New England, along with related charges assessed by ISO-NE. The PTF expenses are incorporated into the overall RNS charges which, in turn, are reflected in charges to National Grid.


The transmission service costs in question are derived from FERC-approved tariffs and subject to FERC jurisdiction. Those costs are then applied in accordance with the rate mechanism approved in Order No. 23,041. Accordingly, we approve National Grid's request to increase the average transmission service rate to \$0.01554 per kWh as of January 1, 2012. We also approve National Grid's request to change the transmission service adjustment factors for the various rate classes as proposed in its November 29, 2011 filing.

Based upon the foregoing, it is hereby

ORDERED, that the retail rate adjustments and adjustment factors National Grid proposes in its filing of November 29, 2011 as amended by its filing of December 6, 2011, are hereby APPROVED effective January 1, 2012; and it is

FURTHER ORDERED, that National Grid file appropriate tariff changes that conform with this Order within 30 days hereof pursuant to N.H. Code Admin. Rules Puc 1603.

By order of the Public Utilities Commission of New Hampshire this twenty-ninth day of December, 2011.



Thomas B. Getz
Chairman



Amy L. Ignatius
Commissioner

Attested by:



Debra A. Howland
Executive Director

